PERCEPTION ON THE NAIRA DEVALUATION AND ITS EFFECTS ON POVERTY REDUCTION IN NIGERIA

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ABSTRACT: *The crash of crude oil price has devastated Nigerian economy being a mono-product economy. The nation's reserves have dropped and the Central Bank is finding it difficult to meet its import demands. There is agitation from investors and the IMF to devalue the currency to stimulate economic growth, encourage export and discourage import. The public thinks otherwise. The study revealed devaluation of the naira will not encourage significant demand for local goods but rather rise in the prices of local products which rise in direct proportion with imported substitutes thereby fuelling inflation. Also, the economy has remained neither diversified nor internationally competitive. It is recommended among others that government review the current import tariffs, promote incentives to encourage investment in local manufacturing, direct foreign direct investment (FDI) on manufacturing/productive industries with hundred per cent (100%) local raw materials and tax holidays.*

KEYWORDS: Devaluation, Perception, Economic Growth, Inflation, Social Infrastructure.

INTRODUCTION

Following the crash in the oil prices as a result of the glut in the international oil market and dull economic outlook in China, a team of International Monetary Fund (IMF) consulted with Nigerian government to assess the economic impact on the economy and the proposed responses to address the 'near-term vulnerability' and the fundamental reforms which Nigeria should embark upon to promote sustained economic growth and reduce poverty (Boyo, 2016). Crude oil is the main export driver constituting 99% of export earnings in the period 1999-2016 and there has been a decline in foreign direct investment (FDI) since the handover of power from the previous civilian administration to the current administration. This is partly attributed to conflicting signals from the government officials on the perception of corruption and security in Nigeria. The consequence of the drop in FDI and proceeds from the sale of crude has resulted in Nigeria's external reserve declining to a state that there may be pressure in the financing of imports in some months to come. The IMF recommendations reflects the needs for reforms which would improve fiscal discipline, reduce the current imbalance between the nation's gross export and import, broaden the tax base and the implantation of those measures that would boost the ratio of non-oil revenue to gross domestic product as reduction in price of goods and services will stimulate trading activities in the country with overall purpose of enhancing economic growth and development. Their advice hinges on the fact that sustained private sector led growth would require a competitive economy which they opined will evolve with an exchange rate policy that is allowed " to reflect market forces" and therefore, "restrictions to access to foreign exchange should be removed" (Boyo, 2016).

The basic thrust of this study is to assess peoples' perception on the IMF advice of devaluation of the naira for sustained economic growth and poverty reduction.

Statement of the problem

The IMF advice that a sustained private sector led growth would require a competitive economy which will evolve an exchange rate policy that is allowed to reflect market forces so as to sustain economic growth and poverty reduction, require the devaluation of the naira as devaluation of the currency is about stimulating exports and lowering the importation of goods and services so as to achieve a balanced growth and development. However, there is conflicting demands in the polity as to the justification for the depreciation of the naira in view of the peculiar nature of the Nigerian export-import basket.

Objective of the study

The objective of the study is to ascertain the perception of the public on the devaluation of the naira for sustained economic growth and poverty reduction.

Research questions

The following research questions were addressed in the study:

    i.   Will devaluation of the naira significantly reduce poverty in Nigeria?.

    ii.   Will devaluation of the naira significantly enhance the productive capacity of local industries in Nigeria?

Research hypothesis

The following null hypotheses were studied:

Ho_1:   There is no significant relationship between devaluation of the naira and poverty reduction in Nigeria.

Ho_2:   There is no significant relationship between devaluation of the naira and enhancement of productive capacity of local industries in Nigeria.

Scope of the study

The study was conducted to cover all academic staff working in Cross River University of Technology, Cross River State College of Education and Federal College of Education, Obudu to represent southern, central and northern senatorial zones of the state. The Cross River State has a population of 3,888,669 as per 2006 population census. It is located in the mangrove to Sahel belt of Nigeria. The choice of the target audience is informed by the fact that among the study region, the target audience are more knowledgeable to understanding the subject matter as the majority of the inhabitants in the state are peasant farmers.

LITERATURE/THEORETICAL UNDERPINNING

Exchange rate is a variable price rate that is germane in every developed, developing and underdeveloped economy. This is so because it performs the dual role of maintaining international competitiveness and serving as nominal anchor for domestic prices in any given economy, (Sercu, Raman and Hulle, 1995). Umoru (2013) postulates that it is a very sensitive

variable as it determines the pace of economic activities and its stability dictates the growth in investment and output of every economy.

Two theories worth noting when evaluating exchange rate determination are the Purchasing Power Parity (PPP) and the monetary theory. The PPP theory is derived from the assumption that identical goods should be sold at identical prices. There is an axiom that in the world there exist the "law of one price". This assumption implies that exchange rates should adjust to compensate for price differentials across countries or economies.

The Monetary Theory in the other hand is an asset pricing view of the exchange rate. The idea is that agents have a portfolio choice decision between domestic and foreign assets. Those instruments (either money or bonds) have an expected return that could be arbitraged. This arbitrage opportunity is thus what determines the process of the exchange rate. This monetary and traditional flow theory is the theory that anchors this study. As stated, the theory postulates that the relative supply and demand for money between two countries is the basis for the ascertainment of exchange rate to apply for transaction between the two countries. The theory considers the increase in the supply of money as being able to generate inflation and thus resulting in exchange rate devaluation or depreciation. While the traditional flow model is based on the principle of the interplay of demand and supply, this model opines that a situation of falling prices with a given nominal money supply will result in exchange rate depreciation or devaluation. Thus exchange rate depreciation or devaluation causes instability in purchasing power and thus adversely affect the ability to import both raw materials for local industries and finished goods in the country. As a result of the vulnerability of countries' currencies and instability in purchasing power in the countries' economy, governments often intervene in foreign markets frequently. The intervention ranges from selling small amounts of foreign currencies, domestic instruments, to sterilization and even buying stocks in their own stock markets. Devaluation of a currency is a macro-economic fiscal policy that entails a deliberate down word adjustment in the value of a country currency with the sole aim of optimisation in foreign trade transactions with the outside. Campbell (2004) opined that currency devaluation is a deliberate reduction in the official exchange rate of a nation's currency against other currencies.

Poverty is multi-dimensional. There are several different indicators of well-being. They include; education, health, nutrition and security. In any given society, there is a minimum level of these indicators of well-being deemed acceptable. More elaborate definition of poverty will consider the 'capability' of the poor as the Sen. Approach to development defines it. Therefore, the improvement of accessibility to health, education, and security and nutrition services for the rural population in remote communities is a way of reducing poverty. Pro-poor growth has been defined in different ways. On one hand, it is defined as economic growth that benefits the poor proportionally more than the non-poor. This is the situation where the income levels of the pro-poor increases more than those of the non-poor (Pernia, 2003). It is an economic growth that is associated with reductions in absolute poverty (Ravallion and Chen, 2003; DFID, 2004). However, poverty reduction depend both on the rate of economic growth and on changes in distribution. Economic growth depends on the purchasing power of the citizenry and public investment. According to Anderson, Renzio and Levy (2006), the following five channels of public investment affect economic growth; complementary private capital, crowding-in private investment, increased market integration, increased aggregate demand and increased national savings.

Exchange Rate Management in Nigeria

Exchange rate management is a core macroeconomic policy function of the Central Bank of Nigeria. The bank has over the period experimented with both the fixed and the market based exchange rate regimes. The main policy objective of the bank has been to achieve a realistic and stable exchange rate for the country. The importance of foreign exchange in international business transactions has made it vitally apparent that the management of the nation's scarce foreign exchange is a considerable factor of national economic management. The period 1970-1985 witnessed Nigeria operating a controlled exchange rate regime where exchange rate of the naira was pegged to the dollar. The period from 1986 when it became clear that the Nigerian economy which depended solely on oil revenues was not able to sustain the fixed exchange rate regime following the depletion of the country's foreign reserves in addition to enormous foreign debt stock the government introduced the Structural Adjustment Programme [SAP] and adopted a flexible exchange rate through the Second tier Foreign Exchange Market [SFEM]. A general assessment of the exchange rate regimes since 1986 highlights a propensity towards incessant exchange rate volatility or depreciation which affects unfavourably the monetary stability of Nigeria.

Empirical literature review

After the abysmal failure of the Structural Adjustment Programme (SAP) devaluation policy package of 1986 which was intended to promote export in Nigeria, Nigeria is yet again faced with the dilemma of determining the appropriate exchange rate for the naira following the drop in the price of crude oil in the international market.

A good number of writers have ventured into the debate as to whether to devalue the naira or not following this drop in foreign exchange considering the fact that Nigeria is import dependent nation where most of the household requirements in a typical family are import related. Olisadebe (1991) opined that the naira exchange rate given its macroeconomic impact in the nation is perhaps one of the most topical issues of discussion. According to CBN (2008), the average capacity utilisation of manufacturing industries rose from 56.5 in 2003 to 56.7% in 2004 but dropped to 54.8% in 2005 and further dropped to 53.3% in 2006. However it increased marginally from 53.3% in 2007 to 53.38% in 2008. Some attribute this decline to the overcrowding of this important sector of the economy by multinational corporations. According to Business Daily as quoted by Ipsos (2015), international investors dismayed by Nigeria's decision to delay naira devaluation they see as long overdue are holding back their funds thus raising the risk of a deeper crisis in Africa's biggest economy. According to Fund Managers as stated in the article 'the devaluation to restore the economy to competitiveness is a matter of time'. On the utilisation of manufacturing industries, David, Umeh and Ameh (2010), study revealed a lack of high-level technological contents, weak social infrastructure leading to lack of skilled manpower and severe core infrastructural problems as impediment in Nigerian manufacturing sector.

According to Egedegbe (2009), devaluation of the currency has a negative impact on companies and individuals. He stated that devaluation made companies operate at losses as a result of high cost of imported inputs while on the part of the masses, the prices of imported goods such as rice goes up astronomically which impacts negatively on the welfare of the poor in the society. Al-Abdelrazag (1997) investigation on the impact of the Jordanian dinar devaluation on the country's trade balance opined that the devaluation of the currency did not improve the trade balance. Voir (1997) study conducted in Burkina Faso found that the rate of

turnover in business activities reduced by 22% and imported inputs also increased in prices due to devaluation of the currency. Akinlo (1996) investigation on the effect of depreciation on the Nigerian economy between 1986 and 1991 revealed that actual profits of all categories of industries in Nigeria fell precipitately after the massive depreciation adjustment of the naira when compared with 1985 adjusted values. In reaction to the study of Reinhart (1994) which stated:

i.   That income and relative prices are both necessary and sufficient to pin down a nation's steady trade flows.

ii. The relative price is found to be a significant determinant of the demand for imports and exports.

iii. Although relative price has a predictable and systematic impact on trade, price elasticity have a habit of been low and in most cases drop below unity.

iv. Industrialized economies income elasticity are well above the developing economies.

Zaidan (1999) opined that the type of result as enumerated above does not hold for African countries because of the high primary commodity content of their export portfolios. In his comment on the relative price effect of the naira devaluation which supposed to increase world demand for domestic goods and decrease domestic demand for imported goods, Loto (2011) opined that this scenario will be applicable if the country is producer of international goods that can compete effectively and efficiently in the international market. He also stated that if the country like Nigeria is a mono product country whose bulk of the export is oil which is quoted in US$ or whose goods are agricultural products that are somehow price inelastic, change in the demand for such country will be very insignificant.

Iyoha (1999) study on IMF and World Bank request for the eradication of poverty through giving the poor greater access to services and infrastructure opined that the call was a contradiction to the Structural Adjustment Programme (SAP) guideline that stipulated currency devaluation. *The* study revealed tremendous inflationary pressure was created as a result of the naira devaluation and exacerbated poverty in Nigeria. In his contribution, Abayomi (2007) in assessing the impact of devaluation of the naira considering Nigeria is an import dependent economy opined that devaluation can only make all goods and services more expensive thus fuel inflation which ultimately affects the poor in the society.

Voir (1997) analysing the impact of devaluation on small scale enterprises in Burkina Faso found that the rate of turnover in business activities across the country reduced by 22% while prices of imported goods increased due to devaluation. He opined that devaluation weakened businesses which were not into export businesses as there was a fall in demand for goods and services due to a fall in purchasing power of households.

METHODOLOGY

The study adopted the Survey research design structured to access the perception of the public on the devaluation of the local currency and its effect on poverty reduction in Nigeria using Cross River State as a study area. The study uses both primary and secondary data.

Sample Size and Technique

The sample size of 180 is considered adequate as the academic staff population in Cross River University of Technology, Cross River State College of Education and Federal College of Education, Obudu is projected at one thousand eight hundred as at April, 2018. According to Balsely and Clover (1988), it is common in research studies to use ten per cent sample size. This according to him has been proven to be more than adequate in research projects. Ogolo (1996) corroborates this when he posits that where a population is known, at least ten per cent of it constitutes a researchable sample.

Research instrument

The data obtained from the research instrument were analysed using simple percentages and Chi-Square Test. The choice of the instrument was informed by the nature of data obtained. Also, because of the suitability and ease of manipulation of data, the Chi-Square test was applied in the study. The formula for Chi-Square (x^2) is given by:

$$X^2 = \frac{\sum(O-E)}{E}$$

Where:

$\sum$ = summation

O = frequency observed

E = frequency expected

X^2 = Chi-Square

Decision Rule

Reject the null hypothesis if the calculated value of the Chi-Square is greater than the critical or tabulated value. Otherwise accept.

RESULTS/FINDINGS

Table 1: Analysis of Questionnaire

S/N	Statements	SA	%	A	%	N	%	D	%	SA	%	Total
1	The devaluation of the naira will not significantly cause the rise in the prices of basic food items in the market	0	0%	3	2%	29	17%	45	26%	93	55%	170
2	There are available local substitutes of significant number of basic imported items sold in the market	10	6%	50	29%	0	0%	65	38%	45	26%	170
3	The prices of local substitutes will not be significantly influenced by the absence of imported items	0	0%	9	5%	0	0%	27	16%	134	79%	170

| 4 | The local industries lack of optimum productive capacity is significantly due to competition from imported items. | 30 | 18% | 18 | 11% | 13 | 8% | 70 | 41% | 39 | 23% | 170 |
| 5 | The qualities of products from the local industries are of very high standard to compete in international market. | 0 | 0% | 15 | 9% | 5 | 3% | 30 | 18% | 120 | 71% | 170 |

Source: Researcher field work, 2016

Key: SA = Strongly agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly disagree

Table 2: Computation of Naira Devaluation and its effect on Poverty Reduction

Response	Observed(O)	Expected (E)	O-E	$(O-E)^2$	$(O-E)^2/E$
SA	0	3.33	-3.33	11.09	3.33
A	3	20.67	-17.67	312.22	15.11
N	29	9.67	19.33	373.65	38.65
D	45	45.67	-0.67	0.45	0.01
SD	93	90.67	2.33	5.43	0.06
SA	10	3.33	6.67	44.49	13.35
A	50	20.67	29.33	860.25	41.63
N	0	9.67	-9.67	93.51	9.67
D	65	45.67	19.33	373.65	8.18
SD	45	90.67	-45.67	2,085.75	23.00
SA	0	3.33	-3.33	11.09	3.33
A	9	20.67	-11.67	136.19	6.59
N	0	9.67	-9.67	93.51	9.67
D	27	45.67	-18.67	348.57	7.63
SD	134	90.67	43.33	1,877.49	20.71

X^2 Cal = 200.92*

*Calculated chi-squared value of the relationship between devaluation

of the naira and poverty reduction in Nigeria

Researcher's computation from table 2: Tabulated chi-square value = (n-1) df @ 0.05 level of significance. X^2 = (15-1) @ 0.05 = 23.68

From the result, the chi-square value calculated of 200.92 is higher than tabulated chi-square value of 23.68 at 0.05% level of significance. Therefore, we accept the alternative hypothesis and reject the null hypothesis which states that there is no significant relationship between devaluation of the naira and poverty reduction in Nigeria. This is so because Nigeria depends heavily on imported goods and so any devaluation of the currency will be translated in increase in cost of basic goods in the market. These increases will rather fuel inflation and poverty. This study is in agreement with the works of Iyoha (1999), Aiya (2014), Abayomi (2007) and Egedegbe (2009).

Table 3: Computation of Naira Devaluation and its effect on Poverty Reduction

Response	Observed (O)	Expected (E)	O-E	(O-E)²	(O-E)²/E
SA	30	15.00	15.00	225.00	15.00
A	18	16.50	1.50	2.25	0.14
N	13	9.00	4.00	16.00	1.78
D	70	50.00	20.00	400.00	8.00
SD	39	79.50	-40.50	1,640.25	20.63
SA	0	15.00	-15.00	225.00	15.00
A	15	16.50	-1.50	2.25	0.14
N	5	9.00	-4.00	16.00	1.78
D	30	50.00	-20.00	400.00	8.00
SD	120	79.50	40.50	1,640.30	20.63

X^2 Cal = 91.09*

*Calculated chi-squared value of the relationship between devaluation

of the naira and productive capacity of local industries in Nigeria

Researcher's computation from table 3: Tabulated chi-square value = (n-1) df @ 0.05 level of significance. X^2 = (10-1) @ 0.05 =16.92

From the result, the chi-square value calculated of 91.09 is higher than tabulated chi-square value of 16.92 at 0.05% level of significance. Therefore, the alternate hypothesis is accepted while the null hypothesis which states that there is no significant relationship between devaluation of the naira and enhancement of the productive capacity of local industries in Nigeria is rejected. This is so because the productive capacity of local industries is not influenced by naira devaluation but on other factors such as social infrastructure and government import policies.

This is in agreement with Egedegbe (2009) who argued that devaluation of the currency will have negative consequences on all Nigerians.as companies and individuals especially the poor will suffer as devaluation will make companies to be operating at a loss due to high cost of imported inputs. Similarly, this study affirms Voir (1997) study conducted in Burkina Faso which found a drop in the rate of turnover in business activities and an increase in prices of imported inputs.

Table 4: Comparative Import - Export trade in Nigeria, 1999 to 2016

Year	Export	Import	Variance	% variance	% export utilization on imports
1999	1,189.0	862.5	326.5	27.5%	73%
2000	1,945.7	985.0	960.7	49.4%	51%
2001	1,868.0	1,358.3	509.7	27.3%	73%
2002	1,744.2	1,512.7	231.5	13.3%	87%
2003	3,087.9	2,080.2	1,007.7	32.6%	67%
2004	4,602.8	1,987.0	2,615.7	56.8%	43%
2005	7,246.5	2,800.9	4,445.7	61.3%	39%
2006	7,324.7	3,412.2	3,912.5	53.4%	47%
2007	8,120.1	4,381.9	3,738.2	46.0%	54%
2008	10,387.7	5,112.0	5,275.7	50.8%	49%
2009	8,606.3	5,073.4	3,532.9	41.1%	59%
2010	12,011.5	7,572.0	4,439.5	37.0%	63%
2011	15,236.7	10,175.0	5,061.7	33.2%	67%
2012	15,139.3	6,090.5	9,048.9	59.8%	40%
2013	15,262.0	7,015.8	8,246.2	54.0%	46%
2014	12,960.5	7,374.3	5,586.2	43.1%	57%
2015	8,845.2	6,697.9	2,147.3	24.3%	76%
2016	8,835.6	8,817.6	18.0	0.2%	100%
	144,413.6	83,309.1	61,104.5	42.3%	58%

Source: CBN Statistical Bulletin (2017)

Table 5: Import trade in Nigeria, 1999 to 2016

Year	Food, Beverages and Oil	%	Crude Materials Inedible	%	Mineral Fuels	%	Chemicals	%	Manufactured Goods	%	Machinery & Transport Equipment	%	Miscellaneous Goods & Transportations	%	Total
1999	119.9	14%	38.8	4%	12.1	1%	196.6	23%	253.6	29%	204.4	24%	37.2	4%	862.5
2000	134.8	14%	44.3	4%	12.5	1%	228.6	23%	289.3	29%	234.1	24%	41.5	4%	985.0
2001	190.1	14%	62.5	5%	17.7	1%	295.0	22%	406.7	30%	327.2	24%	59.1	4%	1,358.3
2002	179.2	12%	75.8	5%	21.1	1%	298.3	20%	473.5	31%	378.8	25%	85.9	6%	1,512.7
2003	254.7	12%	105.2	5%	28.9	1%	422.2	20%	650.4	31%	498.8	24%	120.1	6%	2,080.2
2004	239.9	12%	102.0	5%	26.7	1%	451.6	23%	584.6	29%	458.9	23%	123.3	6%	1,987.0
2005	291.3	10%	165.3	6%	56.0	2%	677.8	24%	899.1	32%	613.4	22%	98.0	4%	2,800.9
2006	354.9	10%	201.3	6%	64.8	2%	822.3	24%	1,102.1	32%	747.3	22%	119.4	4%	3,412.2
2007	411.9	9%	262.9	6%	78.9	2%	1,060.4	24%	1,437.3	33%	990.3	23%	140.2	3%	4,381.9
2008	441.1	9%	285.4	6%	77.8	2%	1,297.5	25%	1,712.6	34%	1,141.8	22%	155.7	3%	5,112.0
2009	469.5	9%	77.2	2%	81.0	2%	620.0	12%	1,224.1	24%	2,359.3	47%	242.2	5%	5,073.4
2010	721.0	10%	104.3	1%	99.9	1%	811.8	11%	1,616.8	21%	3,762.6	50%	455.6	6%	7,572.0
2011	2,946.8	29%	582.8	6%	1,011.7	10%	797.8	8%	1,223.6	12%	3,219.3	32%	393.1	4%	10,175.0
2012	1,312.4	22%	103.4	2%	82.8	1%	928.3	15%	1,172.9	19%	2,217.2	36%	273.6	4%	6,090.5
2013	1,273	18%	1,459	21%	662	9%	502	7%	967.6	14%	2,095	30%	57.6	1%	7,015.8
2014	1,289	17%	1,249	17%	790.5	11%	583.5	8%	822.6	11%	2,585	35%	54.7	1%	7,374.3
2015	1,166	17%	1,281	19%	673.3	10%	578.9	9%	760.5	11%	2,189	33%	50.2	1%	6,697.9
2016	1,212	14%	2,580	29%	561.3	6%	736.2	8%	913	10%	2,752	31%	62.8	1%	8,817.6
	13,006.2	16%	8,780.9	11%	4,359.0	5%	11,308.8	14%	16,510.2	20%	26,773.9	32%	2,570.1	3%	83,309.1

Source: CBN Statistical Bulletin (2017)

Table 6: Export trade in Nigeria, 1999 to 2016

Year	Crude Oil	%	Others	%	Total
1999	1,169.5	98%	19.5	2%	1,189.0
2000	1,920.9	99%	24.8	1%	1,945.7
2001	1,839.9	99%	28.0	1%	1,868.0
2002	1,649.4	95%	94.7	5%	1,744.2
2003	2,993.1	97%	94.8	3%	3,087.9
2004	4,489.5	98%	113.3	2%	4,602.8
2005	7,140.6	99%	106.0	1%	7,246.5
2006	7,191.1	98%	133.6	2%	7,324.7
2007	7,950.4	98%	169.7	2%	8,120.1
2008	9,861.8	95%	525.9	5%	10,387.7
2009	8,105.5	94%	500.9	6%	8,606.4
2010	11,300.5	94%	711.0	6%	12,011.5
2011	14,323.2	94%	913.5	6%	15,236.7
2012	14,260.0	94%	879.3	6%	15,139.3
2013	14,131.8	93%	1,130.2	7%	15,262.0
2014	12,007.0	93%	953.5	7%	12,960.5
2015	8,184.5	93%	660.7	7%	8,845.2
2016	8,178.8	93%	656.8	7%	8,835.6
	136,697.5	95%	7,716.1	5%	144,413.6

Source: Columns 1,2 & 4, CBN Statistical Bulletin (2017), Column 3,5 &6 calculated

As can be seen from the table one above, 55per cent (93) of the respondents strongly disagree that devaluation of the naira will not significantly cause the rise in the prices of basic food items in the market. 26 per cent (45) respondents similarly disagreed to the notion of no price increases as a result of the devaluation. While 2 per cent (3) respondents agreed to the notion of no price increases due to devaluation of the naira, 17 per cent (29) respondents were undecided.

On the availability of local substitutes of basic imported items in Nigeria, 38 per cent (65) of respondents disagree of the availability of local substitutes while 26 per cent (45) strongly disagreed on the availability. However, 29 per cent (50) of the respondents' belief there are close substitutes in the market while 6 per cent (10) are of a strong opinion of the availability of local substitutes in the market.

On the notion that the prices of local substitutes will not be significantly influenced by the absence of imported goods, 79 per cent (134) strongly disagreed to the notion while 16 per cent (27) merely disagreed. But 5 per cent (9) respondents agreed that local item prices will not significantly be influenced by the absence of imported items. On the view that the lack of optimum productive capacity among the local industries is significantly due to competition from foreign industries, 41 per cent (70) respondents disagree to the notion while 23 per cent (39) strongly disagree equally to the notion of foreign competition influencing the lack of optimum productive capacity among local factories. However, while 18 per cent (30) strongly agreed that foreign competition is primary cause of local industries lack of operation at full capacity, 11 per cent (18) respondents merely agreed to this notion. On the question of quality of local industries products as compared to foreign substitutes, 71 per cent (170) strongly disagreed that the qualities of products from the local factories are of the same high standard like the imported ones. 18 per cent (30) merely disagreed to the notion but 9 per cent (15) agreed that local products are of the same standard with the imported ones.

Analysis of the import- export trade for eighteen years period (1999 – 2016) reveal on average 58 per cent of export proceeds is utilised for importation of goods and services. This implies that any shock on export trade will adversely affect the country's ability to finance her import demand. This is manifested in 2016 where import accounted for 98 per cent of the years export proceeds which dropped drastically due to drop in crude oil and commodity prices in the international market. Similarly, a review of the import transactions for the same period (1999 – 2016) revealed that 32 per cent of total import was for plant and machinery imports, 20 per cent for manufactured goods, 16 per cent for food, beverages and oil, 3 per cent for miscellaneous goods and transportation, 11 per cent for raw material and transport equipment, 14 per cent for chemicals and 5 per cent for mineral and fuels. The allocation of 14% on chemicals is directed related to crude oil exploration.

Analysis of export trade for the eighteen year period (1999 – 2016) as computed reveal 95 per cent of export proceeds coming from crude oil sale while only 5 per cent of export revenue is from other sources. Proceeds from non-oil export accounted for 6 per cent of total export in 2009 through 2012 and rose marginally to 7 per cent of total export from 2013 to 2016.

DISCUSSION OF FINDINGS

Just as the IMF acknowledge that there is "need to ensure a strong and resilient financial sector that can support private sector investment across production segments which includes Small and Medium Enterprises (SMEs) at reasonable funding costs" (Boyo. 2016), it is established that despite serial naira devaluations from 50kobo to =N=200 to a dollar, the economy has remained neither diversified nor internationally competitive as according to Boyo (2016), foreign investors invest primarily in "economically, minimally impactful, but secure and high yielding federal government bills and bonds" as against hard core investments in productive industries and SMEs. Since 1987 when the first devaluation of the naira was effected, there has not been noticeable investment across production segments at reasonable funding cost. In fact according to Boyo (2016), the quest for devaluation is misguided and unrealisable because previous devaluation exercises from 50k to a dollar before 1979 to the present =N=200 to a dollar did not attract much more than $200 billion in foreign investments for over thirty years. He opined that the perceived benefit of matching official with parallel market exchange rates and attracting foreign investors or ensuring competitiveness in the Nigerian economy by the

devaluation is "misguided and unrealisable expectation". Abayomi (2007) in appraising the impact of devaluation on the naira, stated that Nigeria as an import dependent economy, devaluation will only make goods and services expensive.

The analyses reveal that the devaluation of the naira will not encourage significant demand for local items as most of the locally produced items are of poor quality. Second, the prices of the local items will rise as the imported items rise thus fuelling inflation and increasing poverty in the system. The study also reveal that most of the basic food items that are imported have no close substitutes and so the perception of devaluation driving production in the short run is not feasible. Presently, prices of food items have risen even when the items are locally produced. The study reveals that the lack of utilisation of optimum productive capacity by local industries is not due to foreign competition but other factors like production cost (diesel, transportation, etc.).

The revelation that 95 per cent of export revenue is from oil shows that any external shock on oil will have a devastating effect on the economy and so there is the urgency to diversify the economy. As a mono-product economy exporting raw material, devaluation of the currency will be disadvantageous to its operations. In fact devaluation will rather deepen poverty as poverty loyally correlates with naira's steady depreciation.

The study reveals deficiency in the manufacturing base of Nigeria as importation of raw materials for local industries accounted for only 11 per cent of the total import value for the period 1999 to 2016 while manufactured goods and services accounted for 20 per cent of total import for the period under review. Many industries have either relocated to other countries or gone into liquidation due to the harsh economic environment in Nigeria. The tyre and textile industry has suffered tremendous impact as the price of imported tyre is cheaper than a locally manufactured one due to poor policy management. Nigerian economy is under industrialised and the existing industries capacity utilization is very low and so contrary to advance countries were manufacturing sector is a leading sector in increasing productivity in relation to import substitution and export expansion thus creating foreign exchange earnings capacity, raising employment, promoting the growth of investment under devaluation, Nigeria case is the reverse (Fakiyesi, 2005). Devaluation will encourage debilitating brain drain of the nation's human capital as salaries will be worthless and will precipitate labour agitation for wage increases and hence inflation will spiral with reduced consumer demand which will affect investment decisions and employment.

Implication to research and practice

This study has reaffirmed the previous findings that devaluation of the naira alone will not enhance industrial growth in Nigeria neither will it encourage export of processed goods unless there is a policy shift in government as regards land tenure system to encourage agriculture, ease of capital mobilization from the financial sector and government providing needed infrastructure in education, power, roads, research and development (R&D) and rail transportation.

CONCLUSION/RECOMMENDATION

Arising from the findings from the study and related studies earlier carried out, the Nigerian government should:

i. Review the current import tariffs to encourage local production of goods.

ii. Promote tax holidays and other incentives to encourage investment in local manufacturing.

iii. Make policy that FDI are channelled on manufacturing/productive industries with 100% local raw material content and repatriation of capital shall be after ten years moratorium.

iv. Provision of social infrastructure like power, transportation and water.

v. Government should create agency for quality assurance and encourage local industries to export finished goods.

vi. Provide funds at single digit for investors to encourage investment in local industries.

vii. Encourage individuals to buy shares in SMEs.

Future Research

The study used academic staff working in tertiary institutions in one state to generalize the perception of the population. The research did not consider the political class, finance experts or economists. In view of this limitation, it will be worthwhile for further research to expand the target population and segment the respondents into professionals and non-professionals with a view to assessing their individual perspectives on devaluation and poverty reduction.

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